

State of Arizona  
Senate  
Forty-seventh Legislature  
Second Regular Session  
2006

# SENATE BILL 1423

AN ACT

AMENDING SECTIONS 42-2003, 42-5014, 42-5017, 42-5029 AND 42-5031.01, ARIZONA  
REVISED STATUTES; RELATING TO ESTIMATED TAX PAYMENTS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 42-2003, Arizona Revised Statutes, is amended to  
3 read:

4 42-2003. Authorized disclosure of confidential information

5 A. Confidential information relating to:

6 1. A taxpayer may be disclosed to the taxpayer, its successor in  
7 interest or a designee of the taxpayer who is authorized in writing by the  
8 taxpayer. A principal corporate officer of a parent corporation may execute  
9 a written authorization for a controlled subsidiary.

10 2. A corporate taxpayer may be disclosed to any principal officer, any  
11 person designated by a principal officer or any person designated in a  
12 resolution by the corporate board of directors or other similar governing  
13 body.

14 3. A partnership may be disclosed to any partner of the partnership.  
15 This exception does not include disclosure of confidential information of a  
16 particular partner unless otherwise authorized.

17 4. An estate may be disclosed to the personal representative of the  
18 estate and to any heir, next of kin or beneficiary under the will of the  
19 decedent if the department finds that the heir, next of kin or beneficiary  
20 has a material interest which will be affected by the confidential  
21 information.

22 5. A trust may be disclosed to the trustee or trustees, jointly or  
23 separately, and to the grantor or any beneficiary of the trust if the  
24 department finds that the grantor or beneficiary has a material interest  
25 which will be affected by the confidential information.

26 6. Any taxpayer may be disclosed if the taxpayer has waived any rights  
27 to confidentiality either in writing or on the record in any administrative  
28 or judicial proceeding.

29 7. The name and taxpayer identification numbers of persons issued  
30 direct payment permits may be publicly disclosed.

31 B. Confidential information may be disclosed to:

32 1. Any employee of the department whose official duties involve tax  
33 administration.

34 2. The office of the attorney general solely for its use in  
35 preparation for, or in an investigation which may result in, any proceeding  
36 involving tax administration before the department or any other agency or  
37 board of this state, or before any grand jury or any state or federal court.

38 3. The department of liquor licenses and control for its use in  
39 determining whether a spirituous liquor licensee has paid all transaction  
40 privilege taxes and affiliated excise taxes incurred as a result of the sale  
41 of spirituous liquor at the licensed establishment and imposed on the  
42 licensed establishments by this state and its political subdivisions.

43 4. Other state tax officials whose official duties require the  
44 disclosure for proper tax administration purposes if the information is  
45 sought in connection with an investigation or any other proceeding conducted

1 by the official. Any disclosure is limited to information of a taxpayer who  
2 is being investigated or who is a party to a proceeding conducted by the  
3 official.

4 5. The following agencies, officials and organizations, if they grant  
5 substantially similar privileges to the department for the type of  
6 information being sought, pursuant to statute and a written agreement between  
7 the department and the foreign country, agency, state, Indian tribe or  
8 organization:

9 (a) The United States internal revenue service, alcohol and tobacco  
10 tax and trade bureau of the United States treasury, United States bureau of  
11 alcohol, tobacco, firearms and explosives of the United States department of  
12 justice, United States drug enforcement agency and federal bureau of  
13 investigation.

14 (b) A state tax official of another state.

15 (c) An organization of states that operates an information exchange  
16 for tax administration purposes.

17 (d) An agency, official or organization of a foreign country with  
18 responsibilities that are comparable to those listed in subdivision (a), (b)  
19 or (c) of this paragraph.

20 (e) An agency, official or organization of an Indian tribal government  
21 with responsibilities comparable to the responsibilities of the agencies,  
22 officials or organizations identified in subdivision (a), (b) or (c) of this  
23 paragraph.

24 6. The auditor general, in connection with any audit of the department  
25 subject to the restrictions in section 42-2002, subsection C.

26 7. Any person to the extent necessary for effective tax administration  
27 in connection with:

28 (a) The processing, storage, transmission, destruction and  
29 reproduction of the information.

30 (b) The programming, maintenance, repair, testing and procurement of  
31 equipment for purposes of tax administration.

32 8. The office of administrative hearings relating to taxes  
33 administered by the department pursuant to section 42-1101, but the  
34 department shall not disclose any confidential information:

35 (a) Regarding income tax, withholding tax or estate tax.

36 (b) On any tax issue relating to information associated with the  
37 reporting of income tax, withholding tax or estate tax.

38 9. The United States treasury inspector general for tax administration  
39 for the purpose of reporting a violation of internal revenue code section  
40 7213A (26 United States Code section 7213A), unauthorized inspection of  
41 returns or return information.

42 10. The financial management service of the United States treasury  
43 department for use in the treasury offset program.

1           11. The department of commerce for its use in both:

2           (a) Qualifying motion picture production companies for the tax  
3 incentives provided for motion picture production under chapter 5 of this  
4 title and sections 43-1075 and 43-1163.

5           (b) Fulfilling its annual reporting responsibility pursuant to section  
6 41-1517, subsection ~~J~~ K.

7           C. Confidential information may be disclosed in any state or federal  
8 judicial or administrative proceeding pertaining to tax administration if the  
9 taxpayer is a party to the proceeding.

10          D. Identity information may be disclosed for purposes of notifying  
11 persons entitled to tax refunds if the department is unable to locate the  
12 persons after reasonable effort.

13          E. The department, upon the request of any person, shall provide the  
14 names and addresses of bingo licensees as defined in section 5-401 or verify  
15 whether or not a person has a privilege license and number or withholding  
16 license and number.

17          F. A department employee, in connection with the official duties  
18 relating to any audit, collection activity or civil or criminal  
19 investigation, may disclose return information to the extent that disclosure  
20 is necessary to obtain information which is not otherwise reasonably  
21 available. These official duties include the correct determination of and  
22 liability for tax, the amount to be collected or the enforcement of other  
23 state tax revenue laws.

24          G. If an organization is exempt from this state's income tax as  
25 provided in section 43-1201 for any taxable year, the name and address of the  
26 organization and the application filed by the organization upon which the  
27 department made its determination for exemption together with any papers  
28 submitted in support of the application and any letter or document issued by  
29 the department concerning the application are open to public inspection.

30          H. Confidential information relating to transaction privilege tax, use  
31 tax, severance tax, jet fuel excise and use tax and rental occupancy tax may  
32 be disclosed to any county, city or town tax official if the information  
33 relates to a taxpayer who is or may be taxable by the county, city or town.  
34 Any taxpayer information released by the department to the county, city or  
35 town:

36           1. May only be used for internal purposes.

37           2. May not be disclosed to the public in any manner that does not  
38 comply with confidentiality standards established by the department. The  
39 county, city or town shall agree in writing with the department that any  
40 release of confidential information that violates the confidentiality  
41 standards adopted by the department will result in the immediate suspension  
42 of any rights of the county, city or town to receive taxpayer information  
43 under this subsection.

1 I. The department may disclose statistical information gathered from  
2 confidential information if it does not disclose confidential information  
3 attributable to any one taxpayer. In order to comply with the requirements  
4 of section 42-5029, subsection A, paragraph ~~3~~ 2, the department may disclose  
5 to the state treasurer statistical information gathered from confidential  
6 information, even if it discloses confidential information attributable to a  
7 taxpayer.

8 J. The department may disclose the aggregate amounts of any tax  
9 credit, tax deduction or tax exemption enacted after January 1, 1994.  
10 Information subject to disclosure under this subsection shall not be  
11 disclosed if a taxpayer demonstrates to the department that such information  
12 would give an unfair advantage to competitors.

13 K. Except as provided in section 42-2002, subsection B, confidential  
14 information, described in section 42-2001, paragraph 2, subdivision (a), item  
15 (iii), may be disclosed to law enforcement agencies for law enforcement  
16 purposes.

17 L. The department may provide transaction privilege tax license  
18 information to property tax officials in a county for the purpose of  
19 identification and verification of the tax status of commercial property.

20 M. The department may provide transaction privilege tax, luxury tax,  
21 use tax, property tax and severance tax information to the ombudsman-citizens  
22 aide pursuant to title 41, chapter 8, article 5.

23 N. Except as provided in section 42-2002, subsection C, a court may  
24 order the department to disclose confidential information pertaining to a  
25 party to an action. An order shall be made only upon a showing of good cause  
26 and that the party seeking the information has made demand upon the taxpayer  
27 for the information.

28 O. This section does not prohibit the disclosure by the department of  
29 any information or documents submitted to the department by a bingo  
30 licensee. Before disclosing the information the department shall obtain the  
31 name and address of the person requesting the information.

32 P. If the department is required or permitted to disclose confidential  
33 information, it may charge the person or agency requesting the information  
34 for the reasonable cost of its services.

35 Q. Except as provided in section 42-2002, subsection C, the department  
36 of revenue shall release confidential information as requested by the  
37 department of economic security pursuant to section 42-1122 or 46-291.  
38 Information disclosed under this subsection is limited to the same type of  
39 information that the United States internal revenue service is authorized to  
40 disclose under section 6103(l)(6) of the internal revenue code.

41 R. Except as provided in section 42-2002, subsection C, the department  
42 of revenue shall release confidential information as requested by the courts  
43 and clerks of the court pursuant to section 42-1122.

1           S. To comply with the requirements of section 42-5031, the department  
2 may disclose to the state treasurer, to the county stadium district board of  
3 directors and to any city or town tax official that is part of the county  
4 stadium district confidential information attributable to a taxpayer's  
5 business activity conducted in the county stadium district.

6           T. The department shall release confidential information as requested  
7 by the attorney general for purposes of determining compliance with and  
8 enforcing section 44-7101, the master settlement agreement referred to  
9 therein and subsequent agreements to which the state is a party that amend or  
10 implement the master settlement agreement. Information disclosed under this  
11 subsection is limited to luxury tax information relating to tobacco  
12 manufacturers, distributors, wholesalers and retailers and information  
13 collected by the department pursuant to section 44-7101(2)(j).

14           U. For proceedings before the department, the office of administrative  
15 hearings, the board of tax appeals or any state or federal court involving  
16 penalties that were assessed against a return preparer or electronic return  
17 preparer pursuant to section 42-1103.02 or 42-1125.01, confidential  
18 information may be disclosed only before the judge or administrative law  
19 judge adjudicating the proceeding, the parties to the proceeding and the  
20 parties' representatives in the proceeding prior to its introduction into  
21 evidence in the proceeding. The confidential information may be introduced  
22 as evidence in the proceeding only if the taxpayer's name, the names of any  
23 dependents listed on the return, all social security numbers, the taxpayer's  
24 address, the taxpayer's signature and any attachments containing any of the  
25 foregoing information are redacted and if either:

26           1. The treatment of an item reflected on such return is or may be  
27 related to the resolution of an issue in the proceeding.

28           2. Such return or return information relates or may relate to a  
29 transactional relationship between a person who is a party to the proceeding  
30 and the taxpayer which directly affects the resolution of an issue in the  
31 proceeding.

32           V. The department may disclose to the attorney general confidential  
33 information received under section 44-7111 and requested by the attorney  
34 general for purposes of determining compliance with and enforcing section  
35 44-7111. The department and attorney general shall share with each other the  
36 information received under section 44-7111, and may share the information  
37 with other federal, state or local agencies only for the purposes of  
38 enforcement of section 44-7101, section 44-7111 or corresponding laws of  
39 other states.

40           Sec. 2. Section 42-5014, Arizona Revised Statutes, is amended to read:

41           42-5014. Return and payment of tax; extensions; abatements

42           A. Except as provided in subsection B, ~~OR C or D~~ of this section, the  
43 taxes levied under this article are due and payable monthly in the form  
44 required by section 42-5018 for the amount of the tax, to the department, on

1 or before the twentieth day of the month next succeeding the month in which  
2 the tax accrues and are delinquent:

3 1. If not postmarked on or before the twenty-fifth day of that month.

4 2. If not received by the department on or before the business day  
5 preceding the last business day of that month for those taxpayers electing to  
6 file by mail.

7 3. If not received by the department on the business day preceding the  
8 last business day of that month for those taxpayers electing to file in  
9 person.

10 4. If not received by the department on or before the twenty-fifth day  
11 of that month for those taxpayers required or electing to pay in immediately  
12 available monies pursuant to section 42-1129.

13 B. For tax reporting periods that begin from and after December 31,  
14 1998, the department ~~may~~, for any taxpayer whose estimated annual liability  
15 for taxes imposed by this article is between five hundred dollars and one  
16 thousand two hundred fifty dollars, MAY authorize such taxpayer to pay such  
17 taxes on a quarterly basis. For tax reporting periods that begin from and  
18 after December 31, 1998, the department ~~may~~, for any taxpayer whose estimated  
19 annual liability for taxes imposed by this article is five hundred dollars or  
20 less, MAY authorize such taxpayer to pay such taxes on an annual basis.

21 C. The department may require a taxpayer whose business is of a  
22 transient character to file the return and remit the taxes imposed by this  
23 article on a daily, a weekly or a transaction by transaction basis, and those  
24 returns and payments are due and payable on the date fixed by the department  
25 without a grace period otherwise allowed by this section. For THE purposes  
26 of this subsection, "business of a transient character" means sales activity  
27 by a taxpayer not regularly engaged in selling within the state conducted  
28 from vehicles, portable stands, rented spaces, structures or booths, or  
29 concessions at fairs, carnivals, circuses, festivals or similar activities  
30 for not more than thirty consecutive days.

31 ~~D. If the business entity under which a taxpayer reports and pays~~  
32 ~~income tax under title 43 has an annual total tax liability under this~~  
33 ~~article, article 6 of this chapter and chapter 6, article 3 of this title of~~  
34 ~~one hundred thousand dollars or more, based on the actual tax liability in~~  
35 ~~the preceding calendar year, regardless of the number of offices at which the~~  
36 ~~taxes imposed by this article, article 6 of this chapter or chapter 6,~~  
37 ~~article 3 of this title are collected, or if the taxpayer can reasonably~~  
38 ~~anticipate such liability in the current year, the taxpayer shall report on a~~  
39 ~~form prescribed by the department and pay an estimated tax payment each June.~~  
40 ~~Any other taxpayer may voluntarily elect to pay the estimated tax payment~~  
41 ~~pursuant to this subsection. The payment shall be made on or before June 20~~  
42 ~~and is delinquent if not postmarked on or before that date or if not received~~  
43 ~~by the department on or before the business day preceding the last business~~  
44 ~~day of June for those taxpayers electing to file by mail, or delinquent if~~  
45 ~~not received by the department on the business day preceding the last~~

~~business day of June for those taxpayers electing to file in person. A taxpayer paying by using the method prescribed in subsection A, paragraph 4 of this section shall make the estimated tax payments on or before June 25, and the payment is delinquent if not transferred by the last day to make the estimated payment. The estimated tax paid shall be credited against the taxpayer's tax liability under this article, article 6 of this chapter and chapter 6, article 3 of this title for the month of June for the current calendar year. The estimated tax payment shall equal either:~~

~~1. One half of the actual tax liability under this article plus one-half of any tax liability under article 6 of this chapter and chapter 6, article 3 of this title for May of the current calendar year.~~

~~2. The actual tax liability under this article plus any tax liability under article 6 of this chapter and chapter 6, article 3 of this title for the first fifteen days of June of the current calendar year.~~

~~E. D.~~ The taxpayer shall prepare a return showing the amount of the tax for which the taxpayer is liable for the preceding month, and shall mail or deliver the return to the department in the same manner and time as prescribed for the payment of taxes in subsection A of this section. The return shall be verified by the oath of the taxpayer or an authorized agent or as prescribed by the department pursuant to section 42-1105, subsection B.

~~F. E.~~ Any person WHO IS taxable under this article making AND WHO MAKES cash and credit sales shall report such cash and credit sales separately and upon making application may obtain from the department an extension of time for payment of taxes due on the credit sales. The extension shall be granted by the department under such rules as the department prescribes. When the extension is granted, the taxpayer shall thereafter include in each monthly report all collections made on such credit sales during the month next preceding, and shall pay the taxes due at the time of filing such report.

~~G. F.~~ The returns required under this article shall be made upon forms prescribed by the department.

~~H. G.~~ The department, for good cause, may extend the time for making any return required by this article, and may grant such reasonable additional time within which to make the return as it deems proper, but the time for filing the return shall not be extended beyond the first day of the third month next succeeding the regular due date of the return.

~~I. H.~~ The department, with the approval of the attorney general, may abate small tax balances if the administration costs exceed the amount of tax due.

~~J. For the purposes of subsection D of this section, "taxpayer" means the business entity under which the business reports and pays state income taxes regardless of the number of offices at which the taxes imposed by this article, article 6 of this chapter or chapter 6, article 3 of this title are collected.~~



1           Sec. 3. Section 42-5017, Arizona Revised Statutes, is amended to read:

2           42-5017. Credit for accounting and reporting expenses;  
3                               definition

4           A. A credit is allowed against the taxes imposed by this article and  
5 article 5 of this chapter for expenses incurred by the taxpayer in accounting  
6 and reporting those taxes. The credit is equal to one per cent of the amount  
7 of tax due but not to exceed a total of ten thousand dollars in any calendar  
8 year for the combined total of all business premises of a taxpayer.  
9 ~~Estimated taxes under section 42-5014, subsection D are not considered a~~  
10 ~~separate reporting period.~~

11          B. A taxpayer shall claim the credit for each tax period on forms  
12 prescribed and furnished by the department, which may be incorporated in the  
13 return form prescribed pursuant to section 42-5014. A claim for credit is  
14 not allowed if the taxpayer fails to pay the tax due, plus any estimated tax  
15 liability, before the payment becomes delinquent.

16          C. ~~As used in~~ FOR THE PURPOSES OF this section, "taxpayer" means the  
17 business entity under which the business reports for state income tax  
18 purposes or an entity that is exempt from state income tax.

19           Sec. 4. Section 42-5029, Arizona Revised Statutes, is amended to read:

20           42-5029. Remission and distribution of monies; definition

21          A. The department shall deposit, pursuant to sections 35-146 and  
22 35-147, all revenues collected under this article and articles 4, 5, 8 and 9  
23 of this chapter pursuant to section 42-1116, separately accounting for:

24           ~~1. Payments of estimated tax under section 42-5014, subsection D.~~

25           ~~2.~~ 1. Revenues collected pursuant to section 42-5070.

26           ~~3.~~ 2. Revenues collected under this article and article 5 of this  
27 chapter from and after June 30, 2000 from sources located on Indian  
28 reservations in this state.

29           ~~4.~~ 3. Revenues collected pursuant to section 42-5010, subsection G and  
30 section 42-5155, subsection D.

31          B. ~~The department shall credit payments of estimated tax to an~~  
32 ~~estimated tax clearing account and each month shall transfer all monies in~~  
33 ~~the estimated tax clearing account to a fund designated as the transaction~~  
34 ~~privilege and severance tax clearing account.~~ The department shall credit  
35 ~~all other~~ payments to the transaction privilege and severance tax clearing  
36 account, separately accounting for the monies designated as distribution base  
37 under sections 42-5010, 42-5164, 42-5205, 42-5353 and 42-5409. Each month  
38 the department shall report to the state treasurer the amount of monies  
39 collected pursuant to this article and articles 4, 5, 8 and 9 of this  
40 chapter.

41          C. On notification by the department, the state treasurer shall  
42 distribute the monies deposited in the transaction privilege and severance  
43 tax clearing account in the manner prescribed by this section and by sections  
44 42-5164, 42-5205, 42-5353 and 42-5409, after deducting warrants drawn against  
45 the account pursuant to sections 42-1118 and 42-1254.

1           D. Of the monies designated as distribution base the department shall:  
2           1. Pay twenty-five per cent to the various incorporated municipalities  
3 in this state in proportion to their population to be used by the  
4 municipalities for any municipal purpose.  
5           2. Pay 38.08 per cent to the counties in this state by averaging the  
6 following proportions:  
7           (a) The proportion that the population of each county bears to the  
8 total state population.  
9           (b) The proportion that the distribution base monies collected during  
10 the calendar month in each county under this article, section 42-5164,  
11 subsection B, section 42-5205, subsection B and sections 42-5353 and 42-5409  
12 bear to the total distribution base monies collected under this article,  
13 section 42-5164, subsection B, section 42-5205, subsection B and sections  
14 42-5353 and 42-5409 throughout the state for the calendar month.  
15           3. Pay an additional 2.43 per cent to the counties in this state as  
16 follows:  
17           (a) Average the following proportions:  
18           (i) The proportion that the assessed valuation used to determine  
19 secondary property taxes of each county, after deducting that part of the  
20 assessed valuation that is exempt from taxation at the beginning of the month  
21 for which the amount is to be paid, bears to the total assessed valuations  
22 used to determine secondary property taxes of all the counties after  
23 deducting that portion of the assessed valuations that is exempt from  
24 taxation at the beginning of the month for which the amount is to be paid.  
25 Property of a city or town that is not within or contiguous to the municipal  
26 corporate boundaries and from which water is or may be withdrawn or diverted  
27 and transported for use on other property is considered to be taxable  
28 property in the county for purposes of determining assessed valuation in the  
29 county under this item.  
30           (ii) The proportion that the distribution base monies collected during  
31 the calendar month in each county under this article, section 42-5164,  
32 subsection B, section 42-5205, subsection B and sections 42-5353 and 42-5409  
33 bear to the total distribution base monies collected under this article,  
34 section 42-5164, subsection B, section 42-5205, subsection B and sections  
35 42-5353 and 42-5409 throughout the state for the calendar month.  
36           (b) If the proportion computed under subdivision (a) of this paragraph  
37 for any county is greater than the proportion computed under paragraph 2 of  
38 this subsection, the department shall compute the difference between the  
39 amount distributed to that county under paragraph 2 of this subsection and  
40 the amount that would have been distributed under paragraph 2 of this  
41 subsection using the proportion computed under subdivision (a) of this  
42 paragraph and shall pay that difference to the county from the amount  
43 available for distribution under this paragraph. Any monies remaining after  
44 all payments under this subdivision shall be distributed among the counties  
45 according to the proportions computed under paragraph 2 of this subsection.

1           4. After any distributions required by sections 42-5030, 42-5030.01,  
2 42-5031, 42-5032 and 42-5032.01, and after making any transfer to the water  
3 quality assurance revolving fund as required by section 49-282, subsection B,  
4 credit the remainder of the monies designated as distribution base to the  
5 state general fund. From this amount:

6           (a) The legislature shall annually appropriate to:

7           (i) The department of revenue sufficient monies to administer and  
8 enforce this article and articles 5, 8 and 9 of this chapter.

9           (ii) The department of economic security monies to be used for the  
10 purposes stated in title 46, chapter 1.

11           (iii) The Arizona arts endowment fund established by section 41-986,  
12 the full amount by which revenues derived from the amusement classification  
13 pursuant to section 42-5073 for the current fiscal year exceed the revenues  
14 that were derived from that classification in fiscal year 1993-1994, except  
15 that this amount shall not exceed two million dollars through fiscal year  
16 2008-2009.

17           (iv) The firearms safety and ranges fund established by section  
18 17-273, fifty thousand dollars derived from the taxes collected from the  
19 retail classification pursuant to section 42-5061 for the current fiscal  
20 year.

21           (b) The state treasurer shall transfer to the tourism fund an amount  
22 equal to the sum of the following:

23           (i) Three and one-half per cent of the gross revenues derived from the  
24 transient lodging classification pursuant to section 42-5070 during the  
25 preceding fiscal year.

26           (ii) Three per cent of the gross revenues derived from the amusement  
27 classification pursuant to section 42-5073 during the preceding fiscal year.

28           (iii) Two per cent of the gross revenues derived from the restaurant  
29 classification pursuant to section 42-5074 during the preceding fiscal year.

30           E. If approved by the qualified electors voting at a statewide general  
31 election, all monies collected pursuant to section 42-5010, subsection G and  
32 section 42-5155, subsection D shall be distributed each fiscal year pursuant  
33 to this subsection. The monies distributed pursuant to this subsection are  
34 in addition to any other appropriation, transfer or other allocation of  
35 public or private monies from any other source and shall not supplant,  
36 replace or cause a reduction in other school district, charter school,  
37 university or community college funding sources. The monies shall be  
38 distributed as follows:

39           1. If there are outstanding state school facilities revenue bonds  
40 pursuant to title 15, chapter 16, article 7, each month one-twelfth of the  
41 amount that is necessary to pay the fiscal year's debt service on outstanding  
42 state school improvement revenue bonds for the current fiscal year shall be  
43 transferred each month to the school improvement revenue bond debt service  
44 fund established by section 15-2084. The total amount of bonds for which  
45 these monies may be allocated for the payment of debt service shall not

1 exceed a principal amount of eight hundred million dollars exclusive of  
2 refunding bonds and other refinancing obligations.

3 2. After any transfer of monies pursuant to paragraph 1 of this  
4 subsection, twelve per cent of the remaining monies collected during the  
5 preceding month shall be transferred to the technology and research  
6 initiative fund established by section 15-1648 to be distributed among the  
7 universities for the purpose of investment in technology and research-based  
8 initiatives.

9 3. After the transfer of monies pursuant to paragraph 1 of this  
10 subsection, three per cent of the remaining monies collected during the  
11 preceding month shall be transferred to the workforce development account  
12 established in each community college district pursuant to section 15-1472  
13 for the purpose of investment in workforce development programs.

14 4. After transferring monies pursuant to paragraphs 1, 2 and 3 of this  
15 subsection, one-twelfth of the amount a community college that is owned,  
16 operated or chartered by a qualifying Indian tribe on its own Indian  
17 reservation would receive pursuant to section 15-1472, subsection D,  
18 paragraph 2 if it were a community college district shall be distributed each  
19 month to the treasurer or other designated depository of a qualifying Indian  
20 tribe. Monies distributed pursuant to this paragraph are for the exclusive  
21 purpose of providing support to one or more community colleges owned,  
22 operated or chartered by a qualifying Indian tribe and shall be used in a  
23 manner consistent with section 15-1472, subsection B. For purposes of this  
24 paragraph, "qualifying Indian tribe" has the same meaning as defined in  
25 section 42-5031.01, subsection D.

26 5. After transferring monies pursuant to paragraphs 1, 2 and 3 of this  
27 subsection, one-twelfth of the following amounts shall be transferred each  
28 month to the department of education for the increased cost of basic state  
29 aid under section 15-971 due to added school days and associated teacher  
30 salary increases enacted in 2000:

- 31 (a) In fiscal year 2001-2002, \$15,305,900.  
32 (b) In fiscal year 2002-2003, \$31,530,100.  
33 (c) In fiscal year 2003-2004, \$48,727,700.  
34 (d) In fiscal year 2004-2005, \$66,957,200.  
35 (e) In fiscal year 2005-2006 and each fiscal year thereafter,  
36 \$86,280,500.

37 6. After transferring monies pursuant to paragraphs 1, 2 and 3 of this  
38 subsection, seven million eight hundred thousand dollars is appropriated each  
39 fiscal year, to be paid in monthly installments, to the department of  
40 education to be used for school safety as provided in section 15-154 and two  
41 hundred thousand dollars is appropriated each fiscal year, to be paid in  
42 monthly installments to the department of education to be used for the  
43 character education matching grant program as provided in section 15-154.01.

1           7. After transferring monies pursuant to paragraphs 1, 2 and 3 of this  
2 subsection, no more than seven million dollars may be appropriated by the  
3 legislature each fiscal year to the department of education to be used for  
4 accountability purposes as described in section 15-241 and title 15, chapter  
5 9, article 8.

6           8. After transferring monies pursuant to paragraphs 1, 2 and 3 of this  
7 subsection, one million five hundred thousand dollars is appropriated each  
8 fiscal year, to be paid in monthly installments, to the failing schools  
9 tutoring fund established by section 15-241.

10          9. After transferring monies pursuant to paragraphs 1, 2 and 3 of this  
11 subsection, twenty-five million dollars shall be transferred each fiscal year  
12 to the state general fund to reimburse the general fund for the cost of the  
13 income tax credit allowed by section 43-1072.01.

14          10. After the payment of monies pursuant to paragraphs 1 through 9 of  
15 this subsection, the remaining monies collected during the preceding month  
16 shall be transferred to the classroom site fund established by section  
17 15-977. The monies shall be allocated as follows in the manner prescribed by  
18 section 15-977:

19           (a) Forty per cent shall be allocated for teacher compensation based  
20 on performance.

21           (b) Twenty per cent shall be allocated for increases in teacher base  
22 compensation and employee related expenses.

23           (c) Forty per cent shall be allocated for maintenance and operation  
24 purposes.

25          F. The department shall credit the remainder of the monies in the  
26 transaction privilege and severance tax clearing account to the state general  
27 fund, subject to any distribution required by section 42-5030.01.

28          G. Notwithstanding subsection D of this section, if a court of  
29 competent jurisdiction finally determines that tax monies distributed under  
30 this section were illegally collected under this article or articles 5, 8 and  
31 9 of this chapter and orders the monies to be refunded to the taxpayer, the  
32 department shall compute the amount of such monies that was distributed to  
33 each city, town and county under this section. The department shall notify  
34 the state treasurer of that amount plus the proportionate share of additional  
35 allocated costs required to be paid to the taxpayer. Each city's, town's and  
36 county's proportionate share of the costs shall be based on the amount of the  
37 original tax payment each municipality and county received. Each month the  
38 state treasurer shall reduce the amount otherwise distributable to the city,  
39 town and county under this section by one thirty-sixth of the total amount to  
40 be recovered from the city, town or county until the total amount has been  
41 recovered, but the monthly reduction for any city, town or county shall not  
42 exceed ten per cent of the full monthly distribution to that entity. The  
43 reduction shall begin for the first calendar month after the final  
44 disposition of the case and shall continue until the total amount, including  
45 interest and costs, has been recovered.

1 H. On receiving a certificate of default from the greater Arizona  
2 development authority pursuant to section 41-1554.06 or 41-1554.07 and to the  
3 extent not otherwise expressly prohibited by law, the state treasurer shall  
4 withhold from the next succeeding distribution of monies pursuant to this  
5 section due to the defaulting political subdivision the amount specified in  
6 the certificate of default and immediately deposit the amount withheld in the  
7 greater Arizona development authority revolving fund. The state treasurer  
8 shall continue to withhold and deposit the monies until the greater Arizona  
9 development authority certifies to the state treasurer that the default has  
10 been cured. In no event may the state treasurer withhold any amount that the  
11 defaulting political subdivision certifies to the state treasurer and the  
12 authority as being necessary to make any required deposits then due for the  
13 payment of principal and interest on bonds of the political subdivision that  
14 were issued before the date of the loan repayment agreement or bonds and that  
15 have been secured by a pledge of distributions made pursuant to this section.

16 I. Except as provided by sections 42-5033 and 42-5033.01, the  
17 population of a county, city or town as determined by the most recent United  
18 States decennial census plus any revisions to the decennial census certified  
19 by the United States bureau of the census shall be used as the basis for  
20 apportioning monies pursuant to subsection D of this section.

21 J. For the purposes of this section, "community college district"  
22 means a community college district **THAT IS** established pursuant to sections  
23 15-1402 and 15-1403 **AND** that is a political subdivision of this state.

24 Sec. 5. Section 42-5031.01, Arizona Revised Statutes, is amended to  
25 read:

26 **42-5031.01. Distribution of revenues for Indian tribal**  
27 **postsecondary educational institutions:**  
28 **definition**

29 A. Subject to subsection C of this section, each month the state  
30 treasurer shall transmit ~~each month~~ to the treasurer or other designated  
31 depository of a qualifying Indian tribe the amount of transaction privilege  
32 tax revenues received pursuant to this article in the preceding month from  
33 all sources located on the Indian reservation established for the qualifying  
34 Indian tribe as determined pursuant to section 42-5029, subsection A,  
35 paragraph ~~3~~ 2.

36 B. The monies distributed pursuant to this section are for the  
37 exclusive purpose of supporting the maintenance, renewal and capital expenses  
38 of one or more community colleges in this state that are owned, operated or  
39 chartered by the qualifying Indian tribe on its own Indian reservation.  
40 Before receiving any monies under this section, a qualifying Indian tribe  
41 shall enter into a compact with this state, signed by the governor, to  
42 account for the use of monies distributed pursuant to this section. The  
43 compact shall:

44 1. Be for a term of at least ten years.

1           2. Require the monies to be used primarily for capital needs including  
2 maintenance and renewal of existing facilities at designated community  
3 college campuses on the qualifying Indian tribe's own reservation in this  
4 state.

5           3. Provide for audits by the auditor general of the use of the monies.

6           4. If necessary, provide for reimbursement to the department of  
7 revenue of costs associated with implementing this section, not to exceed one  
8 hundred fifty thousand dollars, from revenues that would otherwise be paid to  
9 the qualifying Indian tribe pursuant to this section.

10          C. Notwithstanding subsection A of this section, the state treasurer  
11 shall not transmit more than one million seven hundred ~~and~~ fifty thousand  
12 dollars in any fiscal year.

13          D. For ~~THE~~ purposes of this section "qualifying Indian tribe" means an  
14 Indian tribe that owns, operates and charters any community college or  
15 postsecondary educational institution located on its own reservation in this  
16 state.

17          Sec. 6. Emergency

18          This act is an emergency measure that is necessary to preserve the  
19 public peace, health or safety and is operative immediately as provided by  
20 law.